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SUMMARY RECORD OF THE 39th MEETING

Chairman: Mr. MUNTASSER (Libyan Arab Jamahiriya)

Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. MSELLE

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The meeting was called to order at 10.20 a.m.

AGENDA ITEM 116: UNITED NATIONS COMMON SYSTEM (continued) (A/46/30 and A/46/275; A/C.5/46/28, A/C.5/46/31, A/C.5/46/33 and A/C.5/46/35)

AGENDA ITEM 117: UNITED NATIONS PENSION SYSTEM (continued) (A/46/9 and A/46/614; A/C.5/46/15, A/C.5/46/31 and A/C.5/46/33)

1. Mr. SAHU (India) said that the staff were the most important asset of the organizations of the United Nations system and that adopting an appropriate policy on conditions of service and pensions was an essential prerequisite for the implementation of Article 101, paragraph 3, of the Charter. The Noblemaire principle continued to be valid as a pillar of the "common system". It was true that the system should better reflect the specialized nature of certain jobs in technical organizations and that it had resulted in serious anomalies among different categories of staff at different duty stations because it did not respond rapidly enough to the evolution of various situations. Nevertheless, the common system remained the best mechanism for determining conditions of service in all the organizations in the system, and there was no justification for the unilateral steps taken by some administrations, namely the International Telecommunication Union (ITU) and the International Labour Organisation (ILO). In subscribing to the statute of the International Civil Service Commission (ICSC), those organizations had surrendered their independence with respect to the conditions of service of their staff. His delegation was in full agreement with the views expressed on that subject in chapter II of the ICSC report (A/46/30), and it believed that the resolution the General Assembly would adopt on that matter should urge all organizations that had accepted the ICSC statute, before taking any decision affecting the remuneration of their staff, to consult the Commission and to invite a member of its secretariat to acquaint Member States with all of the pros and cons of any proposal.

2. With respect to the report by the Administrative Committee on Coordination (ACC) on the functioning of ICSC (A/46/275) and the latter's response to the recommendations contained therein, while his delegation would like efforts to improve the Commission's effectiveness and functioning to continue, they should stop short of amending its statute. The statute had been drafted after prolonged and arduous negotiations and should not be amended unless absolutely necessary.

3. Regarding the margin between the net remuneration of United States Federal employees and United Nations staff, ICSC was right to request the General Assembly to rescind its decision requiring the average margin to remain at the mid-point of the range over a five-year period, as doing so would make it possible to avoid a freeze on remuneration that would have unacceptable consequences from the managerial standpoint. Similarly, granting partial post adjustment increases was a good idea, since it would enable net remuneration to remain within the upper limit of the range. In any case, the

(Mr. Sahu, India)

entry into force of the United States Federal Employees Pay Comparability Act of 1990 would bring the margin below the mid-point after 1994 so that, over a 10-year period, the General Assembly's requirement would be met. The Commission's recommendation to increase the base/floor salary scale by 8.6 per cent through consolidation of post adjustment classes would have very significant financial implications not in itself but as a result of the mobility/hardship scheme. Before taking a position on that proposal, his delegation wished to know whether it was absolutely necessary to decide on that question during the current session. It also wanted to know the logic behind linking the mobility/hardship allowance to base salary, as well as the estimated amount of savings to result from lower staff turnover rates at hardship duty stations.

4. As for the conditions of service of Assistant Secretaries-General and Under-Secretaries-General, ICSC recommended the use of approximate working equivalents between those officials and staff at certain levels of the Executive Schedule of the comparator civil service. In view of the difficulty of clearly establishing direct equivalencies between the two civil services and the political nature of appointments to the post in question, that approach was the most appropriate. The question of increasing the net remuneration of those officials should be considered in the context of the Noblemaire principle, which should apply to all categories of staff. His delegation was also prepared to look favourably on the payment to those officials of rental subsidies and representational allowances.

5. The issue of pensionable remuneration and consequent pensions for General Service staff was complex and highly emotional. Staff organizations appeared to believe that the General Assembly was determined to reduce those pensions, while Member States, including India, pointed out that the current methodology for determining General Service pensionable remuneration had given rise to serious anomalies. It was necessary to settle the problem objectively, on the basis of technical data. The United Nations Joint Staff Pension Board had mentioned a number of possibilities in paragraph 108 of its report (A/46/9), and the Commission had recommended a phased approach to the problem. His delegation believed that the first step should be to collect and analyse all the necessary data and that, in the meantime, the current system should continue. With respect to ungraded officials, the pensionable remuneration of appointed officials who were participants in the Fund should continue to be governed by the rules and regulations of the Fund. Elected ungraded officials should be given the choice of whether or not to participate in the Fund. The Commission should assist organizations by drawing up guidelines in order to ensure some system-wide compatibility for ungraded officials who remained outside the Fund.

6. His delegation supported the Pension Board's consensus proposals for the modification of the pension adjustment system (para. 175 of the report of the Board). It was also glad to note in the Secretary-General's report on the investments of the Fund (A/C.5/46/15) that the real rate of return for the year ended 31 March 1991 had been 3.8 per cent, despite the general economic

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slump. India supported the efforts of the Investments Committee to increase Fund investments in developing countries.

AGENDA ITEM 111: ADMINISTRATIVE AND BUDGETARY COORDINATION OF THE UNITED NATIONS WITH THE SPECIALIZED AGENCIES AND THE INTERNATIONAL ATOMIC ENERGY AGENCY (A/46/341 and A/46/546)

7. The CHAIRMAN said that the Advisory Committee on Administrative and Budgetary Affairs customarily prepared an in-depth biennial report on agenda item 111 which the Committee would be able to examine at the forty-seventh session of the General Assembly. The only other question to be considered under agenda item 111 was that of the interim study prepared by the Panel of External Auditors on the development of common accounting standards (A/46/341). That question was dealt with in a paragraph of the draft resolution on agenda item 104 introduced by the Vice-Chairman. He therefore suggested that the Committee should hear the delegations wishing to speak on agenda item 111 before moving on to the preparation of a draft decision.

8. It was so decided.

9. Mr. LINDFORS (Sweden), speaking on behalf of the five Nordic countries, strongly supported the idea of developing common accounting standards for all United Nations bodies (A/46/341) and was pleased to see that ACABQ was in agreement (A/46/546). The Nordic countries also endorsed the proposal that an expert should be asked to draw up a set of common accounting standards based as far as possible on those published by the International Accounting Standards Committee (IASC) and the International Organization of Supreme Audit Institutions (INTOSAI). It was true that the standards established by those bodies were geared specifically to the needs of commercial businesses, but the Nordic countries felt that the standards adopted by the United Nations system should deviate as little as possible from existing international standards. Donors of extrabudgetary funds should be able to compare the financial statements of United Nations bodies with those of relief organizations in the private sector. Bringing its standards into line with international standards would enable the United Nations system to benefit at lower cost from progress made in the field of accountancy and recruit qualified staff more easily, thereby reducing internal training needs and increasing mobility by facilitating exchanges of staff between the system and other international or national organizations.

10. In annex II to document A/46/341, the Panel of External Auditors concluded that only 12 of the 29 existing standards could be applied to the United Nations system with little or no amendment. However, the presumption should be that all the standards were applicable, while the burden of proof should rest with those who agreed that a specific standard was not applicable to the United Nations system. In any event, the Nordic countries wished their views to be given due consideration when the terms of reference of the expert responsible for establishing the common accounting standards were decided.

AGENDA ITEM 104: FINANCIAL REPORTS AND AUDITED FINANCIAL STATEMENTS, AND REPORTS OF THE BOARD OF AUDITORS (continued) (A/C.5/46/L.3)

11. Mr. SPAANS (Netherlands) read out the main points of the draft resolution A/C.5/46/L.3. As the resolution had a number of financial implications, it would be the subject of a statement of programme budget implications. He welcomed the spirit of cooperation displayed by delegations during the informal consultations and proposed that, once the statement of programme budget implications had been drawn up, the Committee should adopt the draft resolution without a vote.

12. The CHAIRMAN asked the Secretariat to act swiftly in drawing up the statement of programme budget implications of the draft resolution under consideration so as to enable the Committee to take a decision on the matter.

The meeting was suspended at 11 a.m. and resumed at 11.15 a.m.

AGENDA ITEM 114: SCALE OF ASSESSMENTS FOR THE APPORTIONMENT OF THE EXPENSES OF THE UNITED NATIONS (continued) (A/46/11 and Add.1 and Add.2/Rev.1)

13. Mrs. SUVARNATEMEE (Thailand) shared the views of those delegations which considered that the Organization's expenses should be apportioned among the Member States according to their capacity to pay and that, once the scale had been fixed by the General Assembly, it should not be reviewed for at least three years unless the economic situation of a State had altered appreciably. Those basic principles, which were laid down in rule 160 of the rules of procedure of the General Assembly, were fair, sufficiently flexible and faithful to the Charter.

14. Her delegation endorsed the recommendations of the Committee on Contributions with regard to the relief gradient and the upper per capita income limit. Fixing that limit by reference to average world income would make it easier to establish a stable system which could be automatically adjusted to the evolution of world income.

15. Her delegation also favoured the maintenance of a 10-year statistical base period, since greater reliance on long-term economic trends would produce a more realistic scale of assessment. It was aware that the complexity of the scheme of limits had generated controversy but felt that, in the absence of an acceptable alternative, it should continue to be applied. In general, her delegation agreed with the methodology used and was ready to play an active part in efforts to secure a consensus on the new scale.

16. Mr. MOOSE (United States of America) said that, while his delegation was grateful to the members of the Committee for their efforts in seeking to comply with the sometimes contradictory guidelines set by the General Assembly, it nevertheless had reservations concerning the ad hoc adjustments made by the Committee, whose mandate was that of a technical body.

(Mr. Moose, United States)

17. His delegations had on several occasions expressed its opposition to the idea that capacity to pay should be the fundamental criterion for determining the scale. It agreed with those members of the Committee on Contributions who considered that approach to be one of the reasons for the negative attitude taken by many Member States and for the distortions which had resulted. As pointed out in paragraphs 47 and 48 of the report of the Committee on Contributions (A/46/11), the time had come to reconsider the methodology in an effort to have Member States adopt a more positive attitude, taking into account the benefits and privileges of membership. The General Assembly should therefore authorize the Committee on Contributions to employ methods which were no longer based solely on the capacity to pay but which took account of recent developments. The question was no longer how much each State should contribute, but how its contribution could assist in promoting the purposes and values of the Organization. His delegation was aware that the Committee on Contributions required time to develop a new methodology and it urged the Fifth Committee to accept its proposals for the period 1992-1994, in accordance with rule 160 of the rules of procedure.

18. Mr. WIBISONO (Indonesia) said that his delegation agreed with previous speakers who had supported the recommendations of the Committee on Contributions on the new scale of assessments. The fundamental criterion was the capacity to pay based on national income. His delegation was in favour of raising the upper per capita income limit and, generally speaking, of applying the scheme of limits, because it eased the burden on developing countries. It noted that many of the latter stood to benefit from ad hoc adjustments to the scale..

19. On the other hand, his delegation could not agree to some of the suggestions in chapter VIII of the Committee's report that envisaged modifications to the current methodology. In particular, it could not accept the adoption of any such criterion as the interest of Member States in the Organization, because that implied that States endowed with enough financial resources could buy rights and prerogatives, whereas developing countries would find themselves deprived of their legitimate rights. With those reservations, his delegation was ready to participate in any endeavour to achieve consensus.

20. Mr. TALAVERA (Peru) said that his delegation, like many others, believed that the methodology for preparing the scale of assessments could be improved. Because the upper per capita income limit was the only factor that allowed the relative wealth of countries to be taken into account, it wanted the limit to be recalculated regularly so that it was never less than the average world per capita income.

21. The debt adjustment methods used should continue to be examined, because the current formula did not take full account of the problems of heavily indebted developing countries. The statistical base period should remain 10 years, both to ensure the required stability and to dampen the impact of

(Mr. Talavera, Peru)

abrupt or short-term changes in the economic situation of Member States on their assessments.

22. His delegation recognized that the Committee on Contributions had to be able to make ad hoc adjustments to assessments because the methodology was not perfect, but it insisted that the criteria established by the General Assembly in that regard be observed. It welcomed the fact that the Committee had decided to use price adjusted rates of exchange to mitigate the effects of major distortions in exchange rates. The recommended scale of assessments bore witness to the efforts made by the Committee to secure the approval of every Member State. It should remain in force for three years, as recommended, on the understanding that the points raised by his delegation would be taken into account in subsequent scales.

23. Mr. BAZABIDILA (Congo) said that, in spite of its economic difficulties, his country was up to date in paying its assessed contributions to the regular budget. Recalling the terms of reference given to the Committee on Contributions by the General Assembly, his delegation supported the Committee's recommendations on the whole. Application of the scale of assessments for a three-year period was in accordance with resolution 45/256 and with rule 160 of the rules of procedure of the General Assembly. His delegation was in favour of raising the upper per capita income limit, which reflected the rise in average world per capita income, and of retaining a 10-year statistical base period, which allowed more realistic assessments to be made for most Member States.

24. Like the Committee on Contributions, his delegation considered that assessments should be related to the real capacity of Member States to pay at the time of payment: that was a principle established by the Charter and by the rules of procedure of the General Assembly. In particular, the Committee on Contributions should make greater allowance for the indebtedness of developing countries and the other factors mentioned by the General Assembly in paragraph 3 of its resolution 43/223 B, as well as for the precarious situation of countries assessed at the floor rate. The assessments of those countries should not be changed until their economic situation had tangibly improved. Otherwise, his delegation endorsed the scale of assessments recommended by the Committee on Contributions and was ready to consider any proposal designed to make the apportionment of the Organization's expenses fairer.

25. Mr. AL-ARIMI (Oman) said that he wished to pay a tribute to the members of the Committee on Contributions, who had evidently made considerable efforts to abide by the terms of reference provided by the General Assembly in its resolutions. Nevertheless, he would have liked the very complex methodology used to be described much more clearly in the Committee's report.

26. In view of the economic upheavals in the world over the past few years, it would be preferable to shorten the statistical base period to five years. The 10-year period currently used did not yield an accurate picture of the

(Mr. Al-Arimi, Oman)

real capacity to pay of Member States. That was especially true in the case of a developing country such as Oman, which was making enormous financial efforts to acquire necessary infrastructures. His country had borrowed very heavily to develop its most backward areas where a large part of the population lived.

27. Another factor which the Committee on Contributions had not taken sufficiently into account was the very great dependence of his country's economy on oil: that non-renewable resource, whose price was very unstable, provided 83 per cent of Oman's national income and 95 per cent of its hard currency earnings. Moreover, the economic stagnation caused by the Gulf war had had a very tangible impact on every country and especially on those in the region.

28. In spite of all those factors, the Committee on Contributions was recommending that Oman's assessment be increased by one point, which meant by 50 per cent. Such an increase could only have a negative effect on Oman's contributions to other bodies and to peace-keeping operations. His delegation considered that such a recommendation was unfair and that the Committee had failed to take the General Assembly's terms of reference fully into account.

29. Mr. MONAYAIR (Kuwait) recalled the instructions provided by the General Assembly in resolution 45/256 and said that several of the factors in the methodology which had been used should be reconsidered, in particular the scheme of limits and the statistical base period. He noted that several of the General Assembly's instructions had not been followed and expressed the hope that the Committee on Contributions would in future take due account of them, in particular of the provision in paragraph 3 of resolution 44/197 A concerning countries having certain economic characteristics. It was not right for the assessments of developing countries constantly to increase, while those of developed countries decreased. Among the factors which should be taken into account were indebtedness, distortions due to exchange rates, the comparability of statistics and per capita income. In the latter connection, he recalled the disastrous consequences of the Iraqi invasion for the economics of Kuwait and many other countries and for the environment.

The meeting rose at 12.05 p.m.